

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Marquette County Solid Waste Management	County Marquette
Fiscal Year End 6/30/07	Opinion Date 9/19/07	Date Audit Report Submitted to State 10-16-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

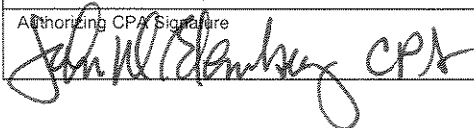
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, P.L.C.		Telephone Number (906) 225-1166	
Street Address 102 W. Washington Street, Suite 109		City Marquette	State MI
Zip 49855			
Authorizing CPA Signature 	Printed Name John W. Blemberg	License Number 10180	

MARQUETTE COUNTY SOLID WASTE  
MANAGEMENT AUTHORITY

Financial Statements for the Years Ended  
June 30, 2007 and 2006

## TABLE OF CONTENTS

Independent Auditors' Report.....	3
Management's Discussion and Analysis.....	4
Statements of Net Assets.....	7
Statements of Revenues, Expenses, and Changes in Net Assets.....	8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10

### **Compliance Supplement**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	20
Report to Management Letter.....	22



**ANDERSON, TACKMAN & COMPANY, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Marquette County Solid Waste  
Management Authority

We have audited the accompanying statements of net assets of the Marquette County Solid Waste Management Authority as of and for the years ended June 30, 2007 and 2006 and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Marquette County Solid Waste Management Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marquette County Solid Waste Management Authority as of June 30, 2007 and 2006, and the changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2007 on our consideration of the Marquette County Solid Waste Management Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Anderson, Tackman & Co. PLLC*

Certified Public Accountants

September 19, 2007

**Marquette County Solid Waste Management Authority**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of the Marquette County Solid Waste Management Authority's financial performance provides an overview of the Facility's financial activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 7.

**FINANCIAL HIGHLIGHTS**

- Net assets for the Facility as a whole were reported at \$11,435,893 and \$11,369,872 as of June 30, 2007 and 2006, respectively. Net assets are comprised of 100% business-type activities.
- During the year, the Facility's total expenses were \$2,863,239 while revenues from all sources totaled \$2,929,260 resulting in an increase in net assets of \$66,021.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Facility as a whole and present a longer-term view of the Facility finances.

**Reporting the Facility as a Whole**

One of the most important questions asked about the Facility's finances is "Is the Facility as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Facility as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Facility's *net assets* and changes in them. You can think of the Facility's net assets – the difference between assets and liabilities – as one way to measure the Facility's financial health, or *financial position*. Over time, *increases or decreases* in the Facility's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Facility's operating base and the condition of the Facility's capital assets, to assess the *overall financial health* of the Facility.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, we report all of the Facility's activities as business-type activities because the Facility charges a fee to residents to help it cover the cost of services it provides.

Table 1 provides a summary of the Facility's net assets as of June 30, 2007 and 2006.

**Table 1**  
**Net Assets**

	2007	2006
Current and other assets	\$ 8,523,206	\$ 9,026,402
Capital assets, net	4,902,485	4,478,902
Total Assets	<u>\$ 13,425,691</u>	<u>\$ 13,505,304</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### The Facility as a Whole (Continued)

	2007	2006
Current liabilities	\$ 401,096	\$ 386,585
Noncurrent liabilities	1,588,702	1,748,847
Total Liabilities	<u>\$ 1,989,798</u>	<u>\$ 2,135,432</u>
Net Assets:		
Invested in capital assets	\$ 4,387,485	\$ 3,738,902
Unrestricted	7,048,408	7,630,970
Total Net Assets	<u>\$ 11,435,893</u>	<u>\$ 11,369,872</u>

Net assets of the Facility's business-type activities stood at \$11,435,893. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$7,048,408.

The \$7,048,408 in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Facility as a whole are reported in the Statement of Revenues, Expenses and Changes in Net Assets (see Table 2), which shows the changes in net assets for fiscal year 2007 and 2006.

**Table 2**  
**Changes in Net Assets**

	2007	2006
Operating revenues:		
Service revenues	\$ 2,374,922	\$ 2,368,781
Operating expenses:		
Operations	(2,817,324)	(2,625,815)
Non-operating Revenues (Expenses):		
Investment Income	481,548	140,408
Proceeds from Sale of Fixed Assets	7,000	-
Interest Expense	(45,915)	(65,980)
Municipal Fees and Contributions	65,790	67,327
Total Nonoperating Revenues (Expenses)	<u>508,423</u>	<u>141,755</u>
Increase (decrease) in net assets	66,021	(115,279)
Net assets, beginning	11,369,872	11,485,151
Net Assets, Ending	<u>\$ 11,435,893</u>	<u>\$ 11,369,872</u>

The Facility's total revenues were \$2,929,260. The total cost of all programs and services was \$2,863,239 leaving an increase in net assets of \$66,021 as a result of fiscal year 2007 operations.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2007 and 2006, the Facility had \$13,820,409 and \$12,321,945 invested in a variety of capital assets including land, buildings, and other equipment, respectively.

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

### **The Facility as a Whole (Continued)**

#### **Debt**

The Facility has an outstanding Refunding Bonded debt issue in the amount of \$515,000 at year end.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In preparing the budget for the year ending June 30, 2008 there appears to be no anticipated changes in operations or funding concerns.

#### **CONTACTING THE FACILITY FINANCIAL MANAGEMENT**

This financial report is designated to provide our taxpayers, investors and creditors with a general overview of the Facility's finances and to show the Facility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Facility Administrator at Marquette County Solid Waste Management Authority, 600 County Road NP, Marquette, MI 49855.

**Marquette County Solid Waste Management Authority**  
**STATEMENT OF NET ASSETS**  
June 30, 2007 and 2006

ASSETS	2007	2006
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 642,308	\$ 1,146,257
Accounts receivable	332,872	230,372
Prepaid expenses	3,801	30,221
Inventory	103,248	15,290
<b>TOTAL CURRENT ASSETS</b>	<b>1,082,229</b>	<b>1,422,140</b>
<b>CAPITAL ASSETS:</b>		
Land	209,463	106,442
Land improvements	2,788,801	2,753,948
Area 1-Cell	1,593,270	1,593,270
Area 2-Cell	1,866,179	1,866,179
Area 3-Cell	1,184,405	1,184,405
Area 4-Cell	3,737	3,737
Area 5-Cell	164,679	25,985
Area 6-Cell	408	408
Area 7-Cell	199	199
Area 8-Cell	1,432	1,432
Area 9-Cell	2,741	2,741
Area 0-Cell	1,765,678	1,058,632
Cell expansion	60,608	60,608
Building and building improvements	972,209	972,209
Equipment	3,206,600	2,691,750
	13,820,409	12,321,945
Less accumulated depreciation	(8,917,924)	(7,843,043)
<b>TOTAL NET CAPITAL ASSETS</b>	<b>4,902,485</b>	<b>4,478,902</b>
<b>DESIGNATED ASSETS:</b>		
Investments:		
Construction funds	2,433,576	2,884,952
Equipment Replacement	2,197,605	2,172,733
Funded compensated absences	74,866	70,704
Host community fee	56,223	56,840
Contaminated soil	1,162,752	1,040,880
Household hazardous waste	151,897	136,878
Closure and postclosure care costs	343,635	311,050
<b>TOTAL DESIGNATED ASSETS</b>	<b>6,420,554</b>	<b>6,674,037</b>
<b>RESTRICTED ASSETS:</b>		
Perpetual Care	1,013,419	919,719
Unamortized bond issuance costs	7,004	10,506
<b>TOTAL RESTRICTED ASSETS</b>	<b>1,020,423</b>	<b>930,225</b>
<b>TOTAL ASSETS</b>	<b>13,425,691</b>	<b>13,505,304</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	111,022	118,000
Accrued wages payable	20,404	16,955
Accrued sick and vacation payable	18,630	18,630
Accrued interest payable	6,040	8,000
Current portion of bonds payable	245,000	225,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>401,096</b>	<b>386,585</b>
<b>NONCURRENT LIABILITIES:</b>		
Bonds payable	270,000	515,000
Accrued closure and postclosure care costs	1,318,702	1,233,847
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,588,702</b>	<b>1,748,847</b>
<b>TOTAL LIABILITIES</b>	<b>1,989,798</b>	<b>2,135,432</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	4,387,485	3,738,902
Reserved for perpetual care	1,013,419	919,719
Unrestricted	6,034,989	6,711,251
<b>TOTAL NET ASSETS \$</b>	<b>11,435,893</b>	<b>\$ 11,369,872</b>

The accompanying notes to financial statements are an integral part of this statement.



**Marquette County Solid Waste Management Authority**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Charges for services	\$ 1,686,686	\$ 1,617,027
Tipping fees	14,692	14,955
Environmental escrow fee	60,399	61,417
Host community fee	45,299	46,063
Perpetual care fee	380,169	369,675
Fee for capital replacement	187,974	49,478
Contaminated soil fees	33,733	36,457
Household hazardous waste fees	30,387	22,535
Tires	62,754	90,021
Special waste	20,637	19,552
Miscellaneous	(350,716)	(280,541)
Carryover rebate	2,114	6,326
Reimbursements	200,794	315,816
Construction-sinking fund	<u>2,374,922</u>	<u>2,368,781</u>
<b>TOTAL OPERATING REVENUES</b>		
Operating Expenses:		
Salaries and wages	622,838	509,880
Fringe benefits	218,732	232,301
Payroll taxes	48,234	41,161
Contractual services	134,221	125,473
Operating supplies	399,239	510,857
Rentals	10,712	2,234
Utilities	48,482	31,369
Insurance	52,903	59,358
Depreciation and amortization	1,097,122	743,684
Closure and postclosure care costs	84,855	266,279
Other operating expenses	99,986	103,219
<b>TOTAL OPERATING EXPENSES</b>	<u>2,817,324</u>	<u>2,625,815</u>
<b>OPERATING INCOME (LOSS)</b>	(442,402)	(257,034)
Other Income and Expense:		
Interest income	481,548	140,408
Collection from municipalities for debt service	11,542	16,696
Proceeds from sale of fixed assets	7,000	-
Interest expense	(45,915)	(65,980)
<b>TOTAL OTHER INCOME AND EXPENSE</b>	<u>454,175</u>	<u>91,124</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	11,773	(165,910)
Capital contributions	<u>54,248</u>	<u>50,631</u>
<b>CHANGE IN NET ASSETS</b>	66,021	(115,279)
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	<u>11,369,872</u>	<u>11,485,151</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 11,435,893</u>	<u>\$ 11,369,872</u>

The accompanying notes to financial statements are an integral part of this statement.

**Marquette County Solid Waste Management Authority**  
**STATEMENT OF CASH FLOWS**  
For the years ended June 30, 2007 and 2006

	2007	2006
Cash Flows from Operations:		
Net cash received from charges for services	\$ 2,076,514	\$ 2,057,028
Other operating revenues	195,908	322,142
Cash paid for salaries and wages, fringe benefits, and payroll taxes	(886,355)	(798,809)
Cash paid to suppliers for goods and services	(814,059)	(735,305)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>572,008</b>	<b>845,056</b>
Cash Flows from Capital & Related Financing Activities:		
Cash received from municipalities for debt service	11,542	16,696
Cash received from municipalities for capital contributions	54,248	50,631
Interest paid on long-term debt	(47,875)	(69,250)
Principal paid on long-term debt	(225,000)	(210,000)
Proceeds from the sale of fixed assets	7,000	-
Fixed Asset Disposal	(18,739)	-
Fixed asset additions, net of trade in allowance	(1,498,464)	(538,507)
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(1,717,288)</b>	<b>(750,430)</b>
Cash Flows from Investing Activities:		
(Increase) in restricted assets	159,783	(337,018)
Investment income (loss)	481,548	140,408
<b>NET CASH (USED) IN INVESTING ACTIVITIES</b>	<b>641,331</b>	<b>(196,610)</b>
<b>NET INCREASE IN CASH</b>	<b>(503,949)</b>	<b>(101,984)</b>
Cash, beginning of year	1,146,257	1,248,241
<b>CASH, END OF YEAR</b>	<b>\$ 642,308</b>	<b>\$ 1,146,257</b>

<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net operating income (loss)	\$ (435,402)	\$ (257,034)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,097,122	743,684
(Gain) loss on sale of assets	(7,000)	266,279
Closure and postclosure care costs	84,855	266,279
(Increase) decrease in accounts receivable	(102,500)	10,390
(Increase) decrease in inventory	(87,958)	65,034
(Increase) decrease in prepaid expense	26,420	9,741
Increase (decrease) in accounts payable	(6,978)	22,430
Increase (decrease) in accrued wages	3,449	(15,467)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 572,008</b>	<b>\$ 1,111,336</b>

**Non-Cash Activity**

The following non-cash transaction was recorded during the current year to record the effects of GASB #18  
"Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs."

Landfill closure and postclosure care liability	\$ 84,855	\$ 266,279
Closure and postclosure care expense	(84,855)	(266,279)
	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

# Marquette County Solid Waste Management Authority

Notes to Financial Statements  
June 30, 2007

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**Description of the Reporting Entity**— The Authority was incorporated on July 15, 1988, pursuant to Act 233, Public Acts of Michigan, 1955, by the City of Marquette and the Township of Sands in order to provide for the disposal of solid waste to constituent municipalities in Marquette County, Michigan. The separate consolidated legal entity was designated as the Marquette County Solid Waste Management Authority. Act 94 of the Public Acts of 1933 and the Authority's Articles of Incorporation authorize the Authority to issue self liquidating revenue bonds to finance the acquisition and construction of facilities as needed for the management and disposal of solid waste.

**Basis of Accounting** – Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The Authority's policies conform to generally accepted accounting principles as applicable to governmental proprietary funds and as such, funds are accounted for using the accrual basis of accounting. Under the accrual basis method of accounting revenue is recognized when earned, and expenses when incurred. The Authority applies all applicable FASB pronouncements in accounting and reporting for its operations.

**Fixed Assets and Long-Term Liabilities**— The Authority's activity, under the proprietary fund concept, is accounted for on a cost of service or "capital maintenance" measurement focus. Accordingly, all assets and all liabilities (whether current or non-current) associated with their activity are included on the balance sheet with reported fund equity (net total assets) segregated into contributed capital and retained earnings components.

Depreciation is provided in the Authority's financial statements in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives on the straight-line basis. Estimated useful lives by type of asset are as follows:

Land improvements	40 years
Building and improvements	40 years
Equipment	3 to 40 years

Costs incurred for the design and construction of individual cells are depreciated under the use method, which depreciates the cost incurred based on each cell's usage to date as a percentage of total capacity. Area 1-Cell and Area 2-Cell are fully depreciated as of June 30, 2006.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Depreciation recognized on assets acquired or constructed through contributions from municipalities restricted for capital acquisitions are closed into the appropriate contributed capital account. Net income (loss) adjusted by the amount of depreciation on fixed assets acquired in this manner is closed to retained earnings.

***Amortization of Bond Issuance Costs*** – The costs of issuance of bonds are being amortized, on the straight-line method, over the life of the bonds.

***Inventory*** – Inventories of operating and office supplies are stated at the lower of cost or market, determined by the first-in, first-out method of valuation.

***Cash and Equivalents*** – For the purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

***Budget*** – The Authority follows these procedures in establishing budgetary data:

- a) Authority administration prepares and submits to the Authority Board a proposed operating budget prior to commencement of the fiscal year. The operating budget includes proposed expenditures and means of financing them and is stated on a basis consistent with generally accepted accounting principles.
- b) The Authority Board formally adopts the finalized operating budget at a normal public meeting held prior to the commencement of the fiscal year.
- c) Authority administration is authorized to transfer budgeted amounts between line items within departmental budgets with post transfer Board approval.
- d) Formal budgetary integration is employed as a management control device during the year.
- e) The Authority is not legally required to adopt a budget, therefore no budgetary information discussed.

***Use of Estimates*** – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **NOTE B – DEPOSITS AND INVESTMENTS:**

Michigan Compiled Laws, Section 129.91, authorizes the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in bonds and other direct obligations of the United States or agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investments by local units of government in Michigan.

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's, but not the remainder of State statutory authority as listed above.

The Authority presently has certain deposits that are not in accordance with statutory authority.

The Authority's deposits and investments were reported in the following categories:

	2007	2006
Unrestricted:		
Cash and cash equivalents	\$ 642,308	\$ 1,146,257
Designated assets:		
Construction funds	2,433,576	2,884,952
Equipment replacement	2,197,605	2,172,733
Compensated absences	74,866	70,704
Host community fee	56,223	56,840
Contaminated soil	1,162,752	1,040,880
Household hazardous waste	151,897	136,878
Closure and postclosure care costs	343,635	311,050
Restricted assets:		
Perpetual care	1,013,419	919,719
<b>TOTAL</b>	<b>\$ 8,076,281</b>	<b>\$ 8,740,013</b>

The breakdown between deposits and investments are as follows:

	2007	2006
Deposits and petty cash	\$ 389,644	\$ 661,052
Investments	7,686,637	8,078,961
<b>Total</b>	<b>\$ 8,076,281</b>	<b>\$ 8,740,013</b>

The bank balance of the Authority's deposits at June 30, 2007 is \$434,028 of which \$324,022 is insured by the federal depository insurance. The remaining balance of \$110,006 is uninsured and uncollateralized.

The Authority's investment balances were as follows:

	2007	2006
Federal Treasury Obligation Mutual Funds	\$ 751,875	\$ 904,749
Federal Agency Bonds	6,934,762	7,174,212
	<u>\$ 7,686,637</u>	<u>\$ 8,078,961</u>

## NOTE B – DEPOSITS AND INVESTMENTS (Continued):

At June 30, 2007 the Authority had the following investment maturities:

	Investment Maturities (In years)			
	Less Than 1	1-5	6-10	More Than 10
Federal Treasury Obligation Mutual Funds	\$ 751,875	\$ -	\$ -	\$ -
Federal Agency Bonds	1,298,439	4,710,414	925,909	-
	<u>\$ 2,050,314</u>	<u>\$ 4,710,414</u>	<u>\$ 925,909</u>	<u>\$ -</u>

## NOTE C – DESIGNATED ASSETS:

**Construction Funds** – Construction funds represent a portion of the tipping fee designated for ongoing and future cell construction at the landfill. Currently, \$3.75 per ton is deposited in a trust account for this purpose. The June 30, 2007 balance is \$2,433,576.

**Equipment Replacement** – The June 30, 2007 balance of \$2,197,605 represents money designated for ongoing equipment replacements, equipment financing and purchases of new equipment. At the present time, \$7.10 per ton is collected and deposited in trust accounts for this purpose.

**Funded Compensated Absences** – The Authority has earmarked funds to liquidate the compensated absence time earned but unused by employees that will become due and payable to them upon their termination or retirement. As of June 30, 2007, the Authority has accumulated \$74,866 for the liability due to employees upon severance.

**Host Community Fee** – Under the Intergovernmental Agreement, Sands Township is to receive \$1.00 per ton of waste disposed of at the facility for its role as host community. Collections are deposited in a trust account and paid to Sands Township once per year in July or August. The balance of deposits as of June 30, 2007 is \$56,223.

**Contaminated Soil** – For each ton of contaminated soil collected by the Authority, \$31.50 is deposited in a trust account to cover the costs of any future environmental problems associated with the disposal of the contaminated soil. The balance of deposits as of June 30, 2007 is \$1,162,752.

**Household Hazardous Waste** – The June 30, 2007 balance of \$151,897 represents money designated for the future costs of collection and disposal of Household Hazardous Waste. Currently, \$0.63 per ton is collected and deposited in a trust account for this purpose.

**Closure and Post Closure Care Funds** – Environmental Escrow Fee – For each ton of waste collected, the Authority deposits \$0.25 in a trust account to cover the costs of any future environmental problems. The balance as of June 30, 2007 is \$343,635.

**NOTE D – RESTRICTED ASSETS:**

**Perpetual Care** – Under Act 641 of the Public Acts of 1978, the Authority is required by the State of Michigan to establish and maintain a Perpetual Care Fund, to be used exclusively for closure, monitoring and maintenance of the landfill. Funding requirements for this fund are \$0.75 for each ton of solid waste disposed of at the facility. The balance of the Perpetual Care Fund as of June 30, 2007 is \$1,013,419.

**NOTE E – CAPITAL ASSETS:**

A summary of the capital assets is as follows:

	Balance at July 1, 2006	Additions	Disposals	Balance at June 30, 2007
Land	\$ 106,442	\$ 103,021	\$ -	\$ 209,463
Total Capital Assets, not being depreciated	106,442	103,021	-	209,463
Land improvements	2,753,948	34,853	-	2,788,801
Area 1-Cell	1,593,270	-	-	1,593,270
Area 2-Cell	1,866,179	-	-	1,866,179
Area 3-Cell	1,184,405	-	-	1,184,405
Area 4-Cell	3,737	-	-	3,737
Area 5-Cell	25,985	138,694	-	164,679
Area 6-Cell	408	-	-	408
Area 7-Cell	199	-	-	199
Area 8-Cell	1,432	-	-	1,432
Area 9-Cell	2,741	-	-	2,741
Area 0-Cell	1,058,632	707,046	-	1,765,678
Cell expansion	60,608	-	-	60,608
Building and building improvements	972,209	-	-	972,209
Equipment	2,691,750	533,589	(18,739)	3,206,600
Total Capital Assets being depreciated	12,215,503	1,414,182	(18,739)	13,610,946
Less Accumulated Depreciation	(7,843,043)	(1,093,620)	18,739	(8,917,924)
Capital Assets, Net	\$ 4,478,902	\$ 423,583	\$ -	\$ 4,902,485

Depreciation expense was charged to operations in the amount of \$1,097,122.

**NOTE F – BONDS PAYABLE:**

**1988 Issue Unrefunded Bonds** – On November 3, 1988, the Authority originally issued Marquette County Solid Waste Management Authority Bonds, Series 1988 in the amount of \$2,675,000 to pay for part of the cost of acquiring, constructing and establishing a sanitary landfill and a solid waste management system. Five of the constituent municipalities; the City of Marquette, Forsyth Township, Wells Township, Negaunee Township, and Ishpeming Township borrowed \$644,943 to fund their initial capital contribution in addition to their proportionate share of the Authority's debt. Repayment of this portion of the debt is to be

## NOTE F – BONDS PAYABLE (Continued):

provided by these constituent municipalities in annual installments over the term of the bond issue. Each constituent municipality has agreed to repayment of its proportionate share of the Authority's debt and the City of Marquette has pledged its full faith and credit for repayment of principal and interest. Interest is payable on November 1 and May 1 each year until the bonds are paid.

In July of 1993, the Authority advance refunded the portion of this issue maturing in fiscal years 1997 – 2009 with the 1993B Issue, Refunding Bonds. In essence, the Authority defeased these general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements.

**1993B Issue, Refunding Bonds**—On July 13, 1993 the Authority advance refunded the Marquette County Solid Waste Management Authority, Series 1988 Bonds by issuing \$2,195,000 in Local Government Loan Program Refunding Revenue Bonds, Series 1993B through the Michigan Municipal Bond Authority. The bonds bear interest at an average coupon rate of 4.919% and are due in annual installments of between \$95,000 and \$270,000 from May 1, 1997, through May 1, 2009. Interest is payable on November 1 and May 1 each year until the bonds are paid.

The bonds are subject to early redemption in whole or in part in multiples of \$5,000 after November 1, 1998 at the following redemption prices (expressed as a percentage of their principal amounts), plus accrued interest to the redemption date:

<u>Period during which Redeemed</u>	<u>Redemption Price</u>
May 1, 1998 and thereafter	102%

Changes in long-term debt principal during the period ended June 30, 2007 are summarized as follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Subtractions</u>	<u>June 30, 2007</u>
1993B Issue Refunding Bonds	\$ 740,000	\$ -	\$ 225,000	\$ 515,000
TOTAL LONG-TERM DEBT	\$ 740,000	\$ -	\$ 225,000	\$ 515,000

Annual maturities of the Local Government Loan Program Refunding Revenue Bonds, Series 1993B are as follows:

<u>Maturity Date May 1</u>	<u>Municipalities Portion</u>	<u>Authority's Portion</u>	<u>Total Maturity</u>
2008	\$ 59,069	\$ 185,931	\$ 245,000
2009	65,097	204,903	270,000
	<u>\$ 124,166</u>	<u>\$ 390,834</u>	<u>\$ 515,000</u>



## NOTE G – DEFINED BENEFIT PENSION PLAN - GENERAL PLAN:

The following information is based upon the latest available actuarial valuation as of December 31, 2006.

### Plan Description

The Authority contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

The qualifying full-time employees of the Authority are eligible to participate in the System. Benefits vest after ten years of service. Authority employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount ranging from 2.0% to 2.5% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and the Authority's Board of Trustees.

### Funding Policy

Authority employees are required to contribute 3 percent of the first \$4,200 of annual compensation and 5 percent of portions over \$4,200 of their annual salary to the System. The Authority is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

### Annual Pension Cost

For the years ended June 30, 2007, 2006, and 2005 the Authority's annual pension cost of \$47,880, \$35,556, and \$28,392, respectively, for the plan was equal to the Authority's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, (latest available report) using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period of 33 years.

### **Analysis of Funding Progress Three-Year Trend Information**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)- Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/04	\$ 839,929	\$ 633,970	\$ 205,959	75%	\$ 280,992	73%
12/31/05	\$ 959,877	\$ 701,731	\$ 258,146	73%	\$ 389,717	66%
12/31/06	\$ 1,149,650	\$ 800,384	\$ 349,266	70%	\$ 464,056	75%

## **NOTE H – RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Authority currently participates with other municipalities and special purpose governments in the Michigan Municipal Risk Management Authority, a public entity risk pool operating as a common risk management and insurance program. The Authority pays an annual premium for its general liability and real personal property protection. The Pool will be self-sustaining through member premiums and will pay for losses sustained in excess of specified deductible amounts.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **NOTE I – CLOSURE AND POST CLOSURE CARE COST:**

State and federal laws and regulations require the Authority to place a final cover on remaining open cells when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure costs on remaining open cells and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of the closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

As of June 30, 2007, the Authority has consumed 30.2 percent of the estimated capacity of the landfill and has recognized \$1,318,702 of the estimated cost of closure and postclosure care of \$4,366,491.

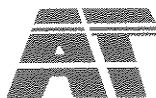
The closure and postclosure liability estimate is based on what it would cost to perform all closure and postclosure care in fiscal 2007. The Authority expects to close the landfill in the year 2056. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Authority is in compliance with these requirements, and, at June 30, 2007, investments of \$1,357,054 are held for these purposes. These are reported as designated and restricted assets on the balance sheet. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by increases in tipping fees or from future tax revenue.

**NOTE J – LETTERS OF CREDIT:**

The Marquette County Solid Waste Management Authority currently has letters of credit with a bank to meet operating license requirements in the amounts of \$3,577,809. The balance due on these letters of credit is -0- at June 30, 2007.

## **COMPLIANCE SUPPLEMENT**



# ANDERSON, TACKMAN & COMPANY, P.L.C.

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MILWAUKEE

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Marquette County Solid Waste  
Management Authority

We have audited the accompanying financial statements of the Marquette County Solid Waste Management Authority, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marquette County Solid Waste Management Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing and opinion on the effectiveness of the Marquette County Solid Waste Management Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marquette County Solid Waste Management Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Marquette County Solid Waste Management Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Marquette County Solid Waste Management Authority's financial statements that is more than inconsequential will not be prevented or detected by the Marquette County Solid Waste Management Authority's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as item 07-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Marquette County Solid Waste Management Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that

Board of Trustees  
Marquette County Solid Waste  
Management Authority

might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marquette County Solid Waste Management Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Jackman & Company, PLLC*  
Certified Public Accountants

September 19, 2007



# ANDERSON, TACKMAN & COMPANY, P.L.C.

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IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

*Marquette County Solid Waste Management Authority  
Report to Management Letter  
For the Year Ended June 30, 2007*

Board of Trustees  
Marquette County Solid Waste  
Management Authority

In planning and performing our audit of the financial statements of the Marquette County Solid Waste Management Authority, as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Marquette County Solid Waste Management Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marquette County Solid Waste Management Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marquette County Solid Waste Management Authority's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Board of Trustees  
Marquette County Solid Waste  
Management Authority

#### **07-01 - ORGANIZATION SIZE AND SEGREGATION OF DUTIES**

The size of the Organization's accounting and administrative staff precludes certain design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Smaller companies, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency. These controls can take on the form of reviewing major account reconciliations, involvement in certain cycles of operation, and financial oversight of the Organization's financial affairs.

This communication is intended solely for the information and use of the management, audit committee, Marquette County Solid Waste Management Authority's Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Marquette County Solid Waste Management Authority's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 19, 2007





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MILWAUKEE

September 19, 2007

To the Members of the Board of Trustees  
Marquette County Solid Waste Management Authority

We have audited the statement of net assets of Marquette County Solid Waste Management Authority for the year ended June 30, 2007 and the related statement of revenues, expenses, and changes in net assets, and cash flows for the year then ended, and have issued our report thereon dated September 19, 2007. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 20, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Marquette County Solid Waste Management Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Marquette County Solid Waste Management Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Marquette County Solid Waste Management Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006-2007. We noted no transactions entered into by Marquette County Solid Waste Management Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Marquette County Solid Waste Management Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Marquette County Solid Waste Management Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Marquette County Solid Waste Management Authority's financial reporting process.

To the Members of the Board of Trustees  
Marquette County Solid Waste Management Authority

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Marquette County Solid Waste Management Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. This information is intended solely for the use of the Board Trustees and management of the Marquette County Solid Waste Management Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants